



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Alton
Alton, New Hampshire

We have audited the accompanying financial statements of the Town of Alton, as of and for the year ended December 31, 2005 as shown on pages 2 through 6. These financial statements are the responsibility of the Town of Alton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Therefore these financial statements are presented following the principles that were in effect prior to GASB Statement No. 34. Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities. The financial statements presented do not contain separate statements for governmental, proprietary, if applicable and fiduciary fund types, nor are major and non-major funds separately identified and classified. The financial statements presented report expendable and nonexpendable trust funds, some of which should be reported as special revenue and permanent funds under the new reporting model. The financial statements also present a general long-term debt account group which should not be reported as such, but the information contained therein should be included in the government-wide financial statements were they presented. Also, the financial statements do not contain any information on capital assets because the government has not maintained historical cost records of such assets. Management has not presented a management's discussion and analysis as required. The amounts that would be reported in the missing statements and required supplementary information, and the effects of reclassifying and properly reporting the information presented are not reasonably determined.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Alton as of December 31, 2005, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Alton basic financial statements. The combining and individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. For reasons stated in the third paragraph of this report, we expressed an opinion that the financial statements of the Town of Alton do not fairly present financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. Therefore, we do not express an opinion on the accompanying combining and individual fund statements.

February 23, 2006

Plodzik & Sanderson
Professional Association

EXHIBIT A
TOWN OF ALTON, NEW HAMPSHIRE
Combined Balance Sheet
All Fund Types and Account Group
December 31, 2005

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Group</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>
ASSETS AND OTHER DEBITS					
Assets:					
Cash and cash equivalents	\$ 5,062,918	\$ 238,593	\$ 4,091,017	\$	\$ 9,392,528
Investments			1,421,830		1,421,830
Receivables, net of allowances for uncollectible:					
Taxes	1,009,490				1,009,490
Accounts	4,075	91,554			95,629
Interfund receivable	155,789	33,246	15,464		204,499
Prepaid items	204				204
Other debits:					
Amount to be provided for retirement of general long-term debt				968,817	968,817
Total assets and other debits	<u>\$ 6,232,476</u>	<u>\$ 363,393</u>	<u>\$ 5,528,311</u>	<u>\$ 968,817</u>	<u>\$ 13,092,997</u>
LIABILITIES AND EQUITY					
Liabilities:					
Accounts payable	\$ 135,838	\$ 177	\$	\$	\$ 136,015
Intergovernmental payable	3,805,253		494,297		4,299,550
Interfund payable	15,464	120,689	68,346		204,499
Escrow and performance deposits			347,475		347,475
Deferred revenue	8,414	551			8,965
General obligation note payable				501,720	501,720
Compensated absences payable				197,097	197,097
Accrued landfill postclosure care costs				270,000	270,000
Total liabilities	<u>3,964,969</u>	<u>121,417</u>	<u>910,118</u>	<u>968,817</u>	<u>5,965,321</u>
Equity:					
Fund balances:					
Reserved for encumbrances	128,740	2,463			131,203
Reserved for endowments			2,006,583		2,006,583
Reserved for special purposes			2,611,610		2,611,610
Unreserved:					
Designated for special purposes		298,715			298,715
Undesignated (deficit)	2,138,767	(59,202)			2,079,565
Total equity	<u>2,267,507</u>	<u>241,976</u>	<u>4,618,193</u>		<u>7,127,676</u>
Total liabilities and equity	<u>\$ 6,232,476</u>	<u>\$ 363,393</u>	<u>\$ 5,528,311</u>	<u>\$ 968,817</u>	<u>\$ 13,092,997</u>

EXHIBIT B
TOWN OF ALTON, NEW HAMPSHIRE
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For the Fiscal Year Ended December 31, 2005

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	<u>(Memorandum Only)</u>
Revenues:				
Taxes	\$ 4,038,438	\$ 20,000	\$	\$ 4,058,438
Licenses and permits	1,161,066			1,161,066
Intergovernmental	472,304			472,304
Charges for services	158,531	372,265		530,796
Miscellaneous	175,916	91,062	73,572	340,550
Total revenues	<u>6,006,255</u>	<u>483,327</u>	<u>73,572</u>	<u>6,563,154</u>
Expenditures:				
Current:				
General government	1,872,062			1,872,062
Public safety	1,207,068	9,039		1,216,107
Highways and streets	956,528			956,528
Sanitation	394,407	36,421		430,828
Water distribution and treatment		213,475		213,475
Health	69,932			69,932
Welfare	57,995			57,995
Culture and recreation	118,912	126,974		245,886
Conservation	2,622	6,653		9,275
Debt service		48,863		48,863
Capital outlay	1,094,854	21,537	15,907	1,132,298
Total expenditures	<u>5,774,380</u>	<u>462,962</u>	<u>15,907</u>	<u>6,253,249</u>
Excess of revenues over expenditures	<u>231,875</u>	<u>20,365</u>	<u>57,665</u>	<u>309,905</u>
Other financing sources (uses):				
Interfund transfers in	951,421	102,780	1,337,728	2,391,929
Interfund transfers out	(1,313,735)	(114,228)	(843,869)	(2,271,832)
Total other financing sources and uses	<u>(362,314)</u>	<u>(11,448)</u>	<u>493,859</u>	<u>120,097</u>
Net change in fund balances	(130,439)	8,917	551,524	430,002
Fund balances, beginning	2,397,946	233,059	1,211,527	3,842,532
Fund balances, ending	<u>\$ 2,267,507</u>	<u>\$ 241,976</u>	<u>\$ 1,763,051</u>	<u>\$ 4,272,534</u>